



Lottery sales hit record, but profits drop; changes in store

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Iowa Lottery sales hit a record \$211 million over the past 12 months, but profits slid by 8 percent because of a sharp drop in Powerball sales and one-time capital costs for adding hundreds of new retail outlets.

Preliminary figures show the lottery raised \$51.2 million for state programs during the recently concluded 2005 state budget year. That compared to \$55.8 million in proceeds in the 2004 budget year.

Powerball sales were down more than 17 percent compared to the previous year.

"The players are just beating the game," said Iowa Lottery President Edward Stanek. "We had 11 Powerball jackpot winners the year before, and we have had more than a 50 percent increase for the fiscal year just ended."

As more people win Powerball jackpots, the average size of the top cash prize is smaller. That makes the game less attractive to many Iowa Lottery players, who like a chance to win a fortune in the \$200 million to \$300 million range.

Although sales of other Iowa Lottery products over the past 12 months more than made **up** the difference in reduced Powerball sales, those other products had a lower profit margin, Stanek said.

He said significant changes for Powerball will occur next month that should have a positive impact.

Starting Aug. 28, the guaranteed starting jackpot will increase from \$10 million to \$15 million. In addition, the prize will be doubled for players who match the first five numbers but miss the Powerball. They will win \$200,000 instead ~~of~~ \$100,000. Two white balls will be added to the first pool of numbers in Powerball drawings, **so** players will chose five numbers from 55. Players will continue to select the Powerball from a pool of 42.

Stanek said that under new statistical parameters for Powerball, there should be more jackpots in the \$200 million to \$300 range. The goal is to have the average winning jackpot somewhere above \$90 million.

"The overall odds will be going from about 1 in 122 million to 1 in 146 million," Stanek said.

Another factor that negatively affected Iowa Lottery profits over the past year was the cost of equipping about 350 Casey's General Store convenience outlets to sell lottery products. Casey's resumed Iowa lottery sales last year after going a decade without offering the games.

About \$2 million was spent for satellite communications gear, ticket-vending equipment and sales materials, but there will be significant long-term benefits to adding Casey's stores to the Iowa Lottery's retail base, Stanek said.

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FY 2005 Report

2005 RESULTS: IOWA LOTTERY ACHIEVES RECORD SALES

Lottery Raises \$51.2 Million For State Programs In Latest Fiscal Year

Editors, News Directors, note: An actuality featuring comments from Iowa Lottery spokesperson Mary Neubauer is available by calling 515-281-5572.

DES MOINES, Iowa – July **25, 2005** – The Iowa Lottery achieved record sales in its latest fiscal year and raised more than **\$51** million for state programs.

Preliminary figures released Monday show that lottery sales totaled **\$210.7** million in fiscal year **2005**, which ended June **30**. That was up about **1** percent from **FY 2004** sales of **\$208.5** million and marked the highest sales total for the lottery in its 20-year history.

Unaudited figures show the lottery raised **\$51.2** million in revenues for state programs during **FY 2005**, a decrease of about **8** percent from the previous year.

Dr. Ed Stanek, Chief Executive Officer of the Iowa Lottery Authority, said that two main factors affected the lottery's **2005** profits: the cost of equipping Casey's General Stores locations in Iowa to sell lottery products; and a decrease in Powerball sales.

Stanek said that the lottery was pleased to welcome Casey's **350** Iowa convenience stores to its retailer base in fiscal year **2005**, but the addition meant an expenditure of about **\$2** million by the lottery for satellite communications equipment, ticket-vending equipment and point-of-sale material for those locations. All of that cost fell into one fiscal year, but the long-term benefits to the state will more than offset that, Stanek said.

"The addition of all Casey's locations in Iowa to the lottery's retail base creates more opportunities for lottery fun in the state and bodes well for long-term benefits to both the lottery and Casey's," Stanek said.

The lottery began installing equipment in Casey's stores in mid-September and completed installations in late January.

Iowa Powerball sales in **FY 2005** were down more than **17** percent compared to the previous year. And, although sales of other lottery products more than made up the difference, those other products had a lower profit margin. Changes announced in

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Powerball that will take affect in August are projected to positively impact the game.

Beginning Aug. **28**, the guaranteed starting jackpot in Powerball will increase from **\$10** million to **\$15** million. Another change will double the prize for those players who match the first five numbers but miss the Powerball. They'll win **\$200,000** instead of the current \$100,000. Two white balls will be added to the first pool of numbers in Powerball drawings, meaning players will chose five numbers from **55**. Players will continue to select the Powerball from a pool of **42**.

Stanek, one of Powerball's co-inventors, said that other strategic planning on the state level has continued the Iowa Lottery's pioneering approach to product development. In its latest fiscal year, the lottery became the first in the world to begin selling an electronic version of the instant-scratch game. The new product, known as the electronic game card, is battery powered and loaded with dozens of plays on each card. The first game card, called "Quarter Play," sold strongly in a market test that began in October, and the lottery went forward with statewide sales in May.

"We believe our continued focus on player entertainment through innovation positions the Iowa Lottery for ongoing success," Stanek said.

Sales of instant-scratch tickets, the lottery's traditional sales leader, again led the way in FY **2005**, with sales in the category increasing by more than **8** percent to **\$103.3** million.

Sales in Hot Lotto made the biggest increase among the lottery's traditional products, jumping nearly **23** percent to more than **\$2** million. Hot Lotto is a multi-state game that is played like Powerball, but with easier odds and jackpots starting at **\$1** million.

Throughout FY **'05**, the lottery also continued its partnership with small businesses around the state in the deployment of monitor vending machines, which add video and sound to the process of dispensing a ticket. Net sales from the machines, which are marketed under the brand name TouchPlay, totaled about **\$6.4** million for the year.

Iowa Lottery revenues are deposited in the state general fund, where they are used to pay for a variety of programs. Some of the programs that receive money from the general fund include education, natural resources, health and family services and public safety.

Since the Iowa Lottery's inception in **1985**, nearly **\$1.9** billion has been awarded in prizes and more than **\$935** million has been raised for state programs.

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